

FISCAL NOTE

Bill #: SB0220

Title: Treasure state endowment regional water system fund

Primary

Sponsor: Daryl Toews

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
Revenue:		
General Fund	(\$158,000)	(\$433,000)
State Special Revenue	158,000	433,000
Net Impact on General Fund Balance:	(\$158,000)	(\$443,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Natural Resources and Conservation

1. The permanent coal tax trust under current law is partitioned into five subfunds. Two of the subfunds, the permanent fund and the treasure state endowment fund, each currently receive approximately 50% of coal tax revenues after the bond accounts have had their obligations met.
2. All interest income from the permanent fund currently is deposited in the general fund.
3. SB220 would establish an additional subfund (a treasure state endowment regional water system fund) within the permanent cost tax trust.

(continued)

4. SB220 would divert 25% of future coal tax revenues in excess of revenues previously specified to the treasure state endowment regional water system fund, and would reduce by 25% future coal tax revenues going to the permanent fund, until June 30, 2013.
5. Interest earnings of new coal tax revenues deposited in the treasure state endowment regional water system fund would not be used until approximately July 1, 2001.

Department of Commerce:

6. All income from the treasure state endowment fund of the permanent coal tax trust is legislatively appropriated for infrastructure grants in HB11.
7. Interest earnings on new coal tax revenues deposited into the treasure state endowment regional water system fund will be 6.50% each year of the biennium and would compound because it is not expected that any funds would be disbursed until July 1, 2001. Interest earnings available for disbursement after July 1, 2001 are estimated to total approximately \$475,000.

Department of Revenue

8. Under current law, the average balance of the permanent trust fund is \$561.193 million in FY 2000, and \$569.017 million in FY 2001.
9. Under the proposal, the average balance for the coal severance tax permanent fund is estimated to be \$559,003,000 for FY 2000 and \$562,915,000 for FY 2001.
10. The proposal reduces the average balance of the permanent trust fund by \$2,191,000 in FY 2000 and by \$6,102,000 in FY 2001, and increases the balance in the new treasure state endowment regional water system fund by a like amount.
11. The rate of return for both the coal severance tax permanent fund and the treasure state endowment regional water system fund is 7.236% for FY 2000 and 7.267% for FY 2001.
12. Revenue to the general fund is reduced by \$158,000 in FY 2000 and by \$443,000 in FY 2001; revenue to the treasure state endowment regional water system fund is increased by the same amount.
13. All interest income from the coal severance tax permanent fund and the treasure state endowment regional water system fund will be spent.
14. The proposal reduces the ending balance for the coal severance tax permanent fund by \$4,069,000 for FY 2000 and \$7,878,000 for FY 2001.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Revenues:</u>		
General Fund (01)	(158,000)	(433,000)
State Special Revenue (02)	158,000	433,000

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(158,000)	(433,000)
State Special Revenue (02)	158,000	433,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. As these two regional water system projects proceed, local governments would be required to provide matching funds to finance their portion of the cost to build these projects.

LONG-RANGE IMPACTS:

1. Revenues to the general fund would be reduced until June 30, 2013.
2. Creation of the treasure state endowment regional water system fund is primarily intended to provide State of Montana matching funds for two significant regional water systems that will be principally funded with federal special revenue.

The first, generally known as the Rocky Boys-North Central Montana Regional Water System, is projected to cost a total of \$200 million. As proposed, the project would supply up to 6,500 acre-feet of water a year from Tiber Reservoir to about 5,860 homes located in incorporated communities and served by rural water districts surrounding the reservoir.

The second project is referred to the Fort Peck Assiniboine and Sioux Municipal and Rural Water Supply System, and is projected to cost a total of \$179 million. The Fort Peck water project would construct about 3,500 miles of pipeline supplying 4,100 acre-feet of water from the Missouri River to approximately 12,000 households northeast of the Fort Peck Reservoir and north of the Missouri River. The project would serve the Fort Peck Assiniboine and Sioux Tribes and incorporated communities and rural water districts surrounding the Fort Peck Indian Reservation

3. The proposed treasure state endowment regional water system fund may also benefit other Montana communities outside the boundaries of the two regional water projects. The two projects would leverage significant federal funding to resolve serious water quality and quantity problems for two large areas of the state. SB 220 requires each state dollar to be matched equally by local funds, and the local match cannot be federal or state grants. Therefore, communities within the boundaries of the two regional water projects would not be competing with the other Montana communities for funding available from the Treasure State Endowment Program (TSEP) to resolve their water supply problems. As a result, more TSEP funds would be available for those other communities throughout Montana. Currently, TSEP is able to fund about one-half of the communities that apply.
4. The reduction in general fund revenue that occurs in FY 2001 is more indicative of the reduction that will occur in future years than that which is shown for FY 2000.

TECHNICAL NOTES:

1. Section 3. Codification instruction indicates that Section 2. State special revenue account – use is to be codified as an integral part of Title 90, chapter 6, part 7. However, portions of part 7 may conflict with the intended purpose of SB220. It may be more appropriate to create a new part 8 with those portions of part 7 that would be appropriate to include.